Weekly Economic Review

Housing starts remain solid

Housing Starts

Easing apartment starts offset by gains in other segments

Alberta housing starts eased in April, but the level of starts remains solid. Housing starts fell 11% month-over-month (m/m) to 31,218 units as apartments pulled back (-42% m/m) following a surge in February and March. This decline was partly offset by strong gains in the other housing segments. Despite the monthly drop, April housing starts remained in line with the 5-year historical average and were up 27% from the 2016 average. They were supported by reconstruction efforts in Wood Buffalo and improving activity in Calgary. In particular, Calgary's single-detached starts were up 36% year-to-date (YTD). Nationally, housing starts also eased in April after coming off a 5-year high in the previous month but were 13% higher YTD.

New Housing Price Index

No budge in new home prices

New home prices in Alberta remain steady. The new housing price index (NHPI) was unchanged for the third month in a row in March. Compared to a year ago, the NHPI remained slightly lower (-0.4% y/y) as a decline in the house only component (-1.1% y/y) was offset by mild gains in land prices (+0.9% y/y). While Calgary's house only component remained weak (-1.8% y/y), land prices continued to increase (+2.0% y/y). In contrast, both house and land prices in Edmonton showed marginal year-over-year declines.

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Non-Residential Construction Price Index

Construction costs stabilizing

The decline in non-residential construction costs that occurred in Alberta over the past two years appears to have ended. For the third straight quarter, the non-residential construction price index (NCPI) rose 0.2% quarter-over-quarter (q/q). The increase was a result of slightly higher costs in Calgary (+0.5% q/q) which continued to offset easing costs in Edmonton (-0.1% q/q) (Chart 1). Compared to a year ago, construction costs remained lower (-0.9% year-over-year or y/y), however the pace of the decline contined to slow. In both Calgary (-0.6% y/y) and Edmonton (-1.3% y/y), the costs were down from a year ago of all structures.

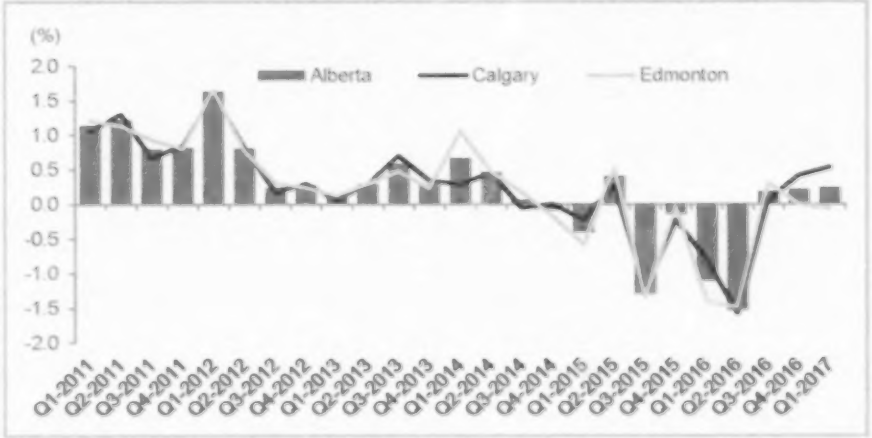
Building Permits

Building permits stabilize but remain weak

Alberta building permits held fairly steady in March after rebounding from a 7-year low in January. The value of building permits stood at $1.1 billion, as a decrease in commercial (-7.3% month-over-month or m/m) and institutional and governmental (-46% m/m) permits offset a jump in industrial construction. The value of industrial construction permits more-than-doubled from last month, with most of the improvement in Calgary. Residential dwellings continued to strengthen, rising 4.2% m/m, due to a jump in Edmonton (+38% m/m). On a year-over-year basis, building permits grew 9.8% largely due to an increase in residential permits (+36% y/y). Overall, building permits remained weak through the first quarter of the year and were down 3.3% compared to the first quarter of 2016.

Chart 1: Non-residential costs recovering faster in Calgary than in Edmonton

Quarter-over-quarter % change in non-residential construction price index



Source: Statistics Canada

Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.